

Forent Energy Ltd.



Management's Discussion and Analysis Three months ended March 31, 2010 and 2009

In accordance with National Instrument 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*, the Company discloses that its auditors have not reviewed the unaudited financial Statements for the periods ended March 31, 2010 and 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of May 27, 2010 and reviewed and approved by the Board of Directors of Forent Energy Ltd. ("Forent" or the "Company"). The MD&A reviews the operational results of the Company with disclosure of oil and gas activities in accordance with Canadian Securities Regulators National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and a review of financial results of the Company based on accounting principles generally accepted in Canada. Its focus is primarily a comparison of the operational and financial performance for the three months ended March 31, 2010 and 2009 and should be read in conjunction with the December 31, 2009 audited financial statements and accompanying notes.

All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Information

Certain statements contained in this report, including statements that may contain words such as "anticipates," "can," "may," "expect," "believe or believes" and "will" and similar expressions are forward-looking statements. These statements may include, but are not limited to, future capital expenditures, future financial resources, future oil and gas well activity, outcome of specific events, and trends in the oil and gas industry. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions and expected future developments, and other factors that it believes are appropriate in the circumstances. These statements or predictions are subject to a number of known and unknown risks and uncertainties, which are discussed previously in this report that could cause actual results to differ materially from the Company's expectations. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

For the purpose of calculating unit costs, natural gas volumes have been converted to a barrel equivalent ("boe") using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with national instrument NI51-101. Boe's may be misleading, particularly if used in isolation.

The terms funds from operations, funds from operations per share and operating netback are terms that do not have a standardized measuring prescribed by Canadian generally accepted accounting principles ("GAAP"). Management believes that funds from operations, funds from operations per share and operating netback are useful supplemental measures as they demonstrate the Company's ability to generate the cash necessary to repay debt or fund future growth through capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to cash flow determined in accordance with GAAP as an indication of the Company's performance. Forent's method of calculating these measures may differ from other companies, and accordingly, may not be comparable to measures used by other companies. For these purposes, the Company defines funds from operations as cash provided by operations before changes in non-cash operating working capital and defines operating netback as revenue less royalties and operating expenses. The Company also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

Introduction and Overview of Forent Energy Ltd.

Forent Energy Ltd. is a crude oil and natural gas exploration and development company headquartered in Calgary, Alberta. The Company's operations include established oil and gas production in Alberta and Saskatchewan and the exploration for both oil and gas on two onshore blocks in Nova Scotia.

The Company's operational focus over the next one to two years is to increase production in western Canada from a number of different oil properties in order to generate stable production and cash flows thereby enabling the Company to pursue its medium and long term strategy of growing through focused exploration and drilling activities on two onshore blocks in Nova Scotia. Forent's Nova Scotia properties offer a number of different high potential exploration and development opportunities including shale gas, reef oil and shale oil ("Nova Scotia resource projects"). The Company is the largest onshore oil and gas land owner in Nova Scotia and while there are considerable risks associated with the Nova Scotia opportunities there is the potential to deliver significant shareholder value. Forent has assembled a team of individuals with many years experience in both western Canada and frontier opportunities, such as Nova Scotia, in order to take advantage of these opportunities. The growth of the Company's western Canadian production, which is primarily focused on oil opportunities, is expected to be largely internally funded through cash flow generated from Forent's established crude oil and natural gas production base. The Nova Scotia opportunities are expected to be funded from a mix of cash flow and new equity capital and/or as a result of establishing joint ventures with other oil and gas companies.

EXECUTIVE SUMMARY & OUTLOOK

Building a Strong Foundation

Notwithstanding the challenges of continued recessive economic conditions and low natural gas prices, the Company was successful in initiating the transition to becoming an oil focused operator. The lands and joint ventures that were acquired in 2009 started to be developed in the first quarter of 2010. Early success on these projects during the first quarter and in May of this year was compelling and has justified the acceleration of development on these oil-prone lands. Enabling these capital expenditures was the financing announced in the first quarter which closed on April 15, 2010, that saw \$4.4 million raised and W. Brett Wilson join the Company's board of directors. During the first quarter of 2010 average oil and gas production increased by 93% as compared to the first quarter of last year and corporate netbacks improved by 68% from a deficit of \$47.30 per boe to a deficit of \$15.05 per boe in the same time period.

The early success of Forent's new corporate direction and increasing western Canadian oil revenues enabled the acceleration of exploration efforts in Atlantic Canada. A definitive \$US 1.4 million agreement for a sophisticated differential gravity survey was executed in April with ARKeX Ltd. The program will provide the Company with its first look into the large reef prone basin and will lead to a 2-D seismic acquisition program, followed by a reef oil exploration drilling program anticipated to begin in the summer of 2011.

Operations Summary and Overview of the First Quarter of 2010

In February 2010, the Company tied-in two (net 0.70) oil discovery wells drilled in late 2009 in the Provost, Alberta area. The wells have a combined gross production of approximately 64 bbl/day (26 bbl/day net; 35% working interest). The Company is investigating up to ten low risk step-out locations identified on 3-D seismic to be drilled at a later date.

Subsequent to the three months ended March 31, 2010, the Company started re-entering the existing wells on the Mervin Saskatchewan lands, which were acquired in December of 2009, in order to reactivate the previously producing oil field that was shut-in during the low oil price period of 1998. Initial Mervin results have been encouraging from the first two test wells, of a 13 well re-entry program. Oil production has been brought on stream, with first oil shipments expected by the end of May 2010. Forent has also kicked off the tie-in of the Mannville gas well drilled at Richdale, Alberta in late 2009. The well

has been completed to produce from two comingled Mannville zones and is expected to be flowing to the sales line prior to the end of June 2010.

Specific financial and operating highlights comparing the three months ended March 31, 2010 and 2009 are as follows.

- Average oil and gas production in 2010 increased by 93%.
- Overall oil and gas revenues increased by 131% from \$173,164 to \$399,705.
- Average Company commodity selling prices increased by 19%.
- Corporate netbacks improved by 68% from a deficit of \$47.30 per boe to a deficit of \$15.05 per boe.
- G&A expenses decreased 9% and fell on a boe basis by 53% to \$24.50.

The Common shares of Forent are listed for trading on the TSX Venture Exchange under the symbol FEN.

Additional information regarding Forent is available under the Company's profile on SEDAR at www.sedar.com. Information is also accessible on the Company's website www.forentenergy.com.

Subsequent Events

Completion of Private Placement

On April 15, 2010 the Company completed a non-brokered private placement for gross proceeds of \$4,420,000. The private placement consisted of the issuance of 15,175,000 units (the "Units") of the Company at a price of \$0.20 per Unit, each Unit consisting of one common share and one half of a common share purchase warrant with each whole warrant being exercisable for one common share of the Company at a price of \$0.26 per share until April 15, 2012; and 6,295,455 flow through common shares at a price of \$0.22 per share. Fees associated with the private placement consisted of approximately \$35,000 in legal and regulatory expenses.

Aerial Gravity Gradiometry Survey of Alton Block

On April 21, 2010 the Company signed a definitive agreement with ARKeX Ltd. for a \$US1.4 million (estimated CDN\$1.5 million) gravity gradiometry survey of its Alton Block in Nova Scotia. The aerial survey is expected to commence at the end of May and be completed in the summer of 2010, with the interpretation of the data being completed in the fall of 2010. The Company is committed to pay instalments of 50% upon the aircraft arriving in Nova Scotia, 40% upon completion of the aerial survey and 10% at the time of delivery of the final processed data.

The Alton Block in Nova Scotia has two prominent hydrocarbon plays – reef oil and shale gas. The gravity gradiometry survey will provide the Company with its first significant evidence as to the location of the potentially oil bearing reefs. ARKeX use a formerly classified U.S. Defense Department full tensor gradiometer. It is a high bandwidth, high resolution 3D imagery system that will identify structural highs where reef structures tended to grow. After the structural highs have been identified, the Company intends to shoot a 2D seismic program early next year and to initiate an exploration well drilling program in the summer of 2011.

Issuance of Stock Options

On May 12, 2010, the Company granted stock options to acquire up to an aggregate of 845,000 common shares of Forent to certain directors, officers, employees and consultants of the Company and 100,000 options to certain charitable organizations. Each of the options is exercisable for a five year term expiring on May 12, 2015 and exercisable until that time at a price of \$0.30 per common share. One-fourth of the options vest immediately upon the date of grant with an additional one-fourth to vest on each of the six month, twelve month and eighteen month anniversaries of the grant date. The options are subject to a four month hold period expiring September 12, 2010.

The Company determined a fair value of \$219,707 for the stock options granted, using the Black-Scholes option pricing model as at the date of grant. The weighted average fair market value of the stock options and the assumptions used in their determination for options issued on May 12, 2010 were as follows: dividend rate: 0%; expected volatility: 114%; risk-free interest rate: 2.53%; and expected life: 5.0 years.

Financial Results – Annual Information

Production

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change (%) |
|-----------------------------|-------------------------------------|-------------------------------------|---------------|
| Daily Production | | | |
| Natural gas (mcf/d) | 572 | 360 | 59 |
| Crude oil and NGLs (bbls/d) | 23 | 1 | 2,161 |
| Boe/d | 118 | 61 | 93 |
| | (%) | (%) | |
| Production Mix % | | | |
| Natural gas | 81 | 98 | (17) |
| Crude oil and NGLs | 19 | 2 | 850 |
| | 100 | 100 | |

Total combined Company production volumes for the three months ended March 31, 2010 averaged 118 boe/d, a 93% increase over the 61 boe/d recorded during the same quarter of 2009. Natural gas production rose 59% in the first quarter of 2010 to 572 mcf/d from 360 mcf/d in the first quarter of 2009. The significant increase in natural gas production was a result of the Company's most significant natural gas well, Ferrybank 8-32, only being on production for one month in the first quarter of 2009 and in addition, the Company's interest in the well increased from 45% to 100% between the two periods. Crude oil and natural gas liquids ("NGLs") production increased by 2,161% to 23 bbls/d from 1 bbls/d between the first quarter of 2009 and 2010. The significant increase in crude oil and NGL production was mainly the result of the two Provost oil wells being brought on stream in the first quarter of 2010 along with increased NGL production at Ferrybank.

Natural gas revenue represented 81% and 98% of the Company's total sales in the three months ended March 31, 2010 and 2009, respectively. Crude oil and NGLs grew significantly to round out the Company's production base representing 19% of production in the first quarter of 2010, from 2% in the same period of 2009.

Natural Gas Prices

United States natural gas prices are commonly referenced off the New York Mercantile Exchange at the Henry Hub, Louisiana ("NYMEX") index price, while Canadian natural gas prices are typically referenced to the AECO Hub in Alberta ("AECO"). Natural gas prices are primarily influenced by North American supply and demand rather than global fundamentals. In the first quarter of 2010, the AECO natural gas price averaged \$5.39/mcf compared to \$5.47/mcf in the first quarter of 2009. The somewhat lower natural gas prices in 2010 compared to 2009 were a result of decreased demand, as a consequence of the North American economic slow-down and increased supply resulting from increased North American production largely attributable to various new shale gas projects, which led to an abundant supply of natural gas throughout 2009 and into 2010.

Pricing

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|--|--|-------------------------------------|--------|
| | (\$) | (\$) | (%) |
| Selling Prices | | | |
| Natural gas (\$/mcf) | 4.92 | 5.22 | (6) |
| Crude oil and NGLs (\$/bbl) ⁽¹⁾ | 72.05 | 45.30 | 59 |
| Total combined (\$/boe) | 37.67 | 31.53 | 19 |

(1) Combined crude oil and NGLs pricing may result in prices that are significantly different than those received for crude oil in isolation, due to NGLs being priced on a different basis than crude oil.

Average natural gas prices received by Forent decreased 6% in the first quarter of 2010 to \$4.92/mcf from \$5.22/mcf during the same period of 2009. The modest decrease in natural gas prices was a result of the global economic turn that started in late 2008 and continued into the first quarter of 2010 and the resultant reduction in demand, without a corresponding decrease in supply.

The Company's average selling prices received for crude oil and NGLs increased 59% to \$72.05/bbl during the three months ended March 31, 2010, compared to \$45.30/bbl recorded during the same period of 2009. The significant increase in selling price between the first quarters of 2010 and 2009 was a result of the increased global market prices for crude oil, attributable to higher demand as a result of the moderate global economic recovery over the past six months.

Oil and Gas Revenue

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|---------------------------------------|--|-------------------------------------|--------|
| | (\$) | (\$) | (%) |
| Revenue | | | |
| Natural gas | 253,093 | 169,087 | 50 |
| Crude oil and NGLs | 146,612 | 4,077 | 3,496 |
| Total petroleum and natural gas sales | 399,705 | 173,164 | 131 |

The Company's gross revenue for the three months ended March 31, 2010, totalled \$399,705, an increase of 131% from the same period of 2009, when gross revenue totalled \$173,164. Natural gas revenues increased 50%, from \$169,087 in the first quarter of 2009 to \$253,093 in 2010, as a result of 59% increase in production that was partially offset by a decrease in selling price. Crude oil and NGL revenues increased significantly between the first quarters of 2009 and 2010, from \$4,077 to \$146,612, respectively, primarily as a result of production from two new Provost wells, along with the 59% increase in the selling prices.

Royalty Expense

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change (%) |
|-----------------------------|--|-------------------------------------|---------------|
| Royalties | | | |
| Total royalties (\$) | 80,556 | 17,587 | 358 |
| As a % of oil and gas sales | 20.2% | 10.2% | 98 |
| \$/boe | 7.59 | 3.20 | 137 |

During the three months ended March 31, 2010, royalty expenses increased 358% to \$80,556 from \$17,587 incurred in the same period of 2009, due to greater revenues from natural gas, crude oil and NGL's, as compared to 2009. Royalties as a percentage of production revenue increased 98% in the first quarter of 2010 from the first quarter of 2009, due to the increased percentage of the Company's total production being derived from crude oil and NGL's, which have higher relative royalty rates than natural gas.

Operating Expenses

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change (%) |
|-----------------------------|--|-------------------------------------|---------------|
| | (\$) | (\$) | (%) |
| Operating expenses | | | |
| Operating expenses | 217,597 | 124,573 | 75 |
| Operating expenses (\$/boe) | 20.51 | 22.68 | (10) |

Operating expenses increased 75% to \$217,597 in the first quarter of 2010 compared to \$124,573 recorded in the same period of 2009. The increase in operating expenses resulted from the 93% increase in the Company's production, as a result of new wells added in the Provost area and the Ferrybank 8-32. On a per boe basis, operating expenses during the three months ended March 31, 2010 decreased 10% from the same period in 2009, as a result of economies of scale being achieved on a number of the Company's higher producing wells.

General and Administrative ("G&A") Expenses

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|--|-------------------------------------|-------------------------------------|--------|
| | (\$) | (\$) | (%) |
| General and administrative expenses | | | |
| Gross expenses | 293,376 | 335,859 | (13) |
| Overhead recoveries | (33,400) | (49,993) | (33) |
| G&A expenses | 259,976 | 285,866 | (9) |
| \$/boe | 24.50 | 52.05 | (53) |

During the three months ended March 31, 2010, general and administrative expenses decreased 9% to \$259,976 from \$285,866 in the same period of 2009. General and administrative expenses while relatively consistent between the first quarters of 2010 and 2009 were lower as a result of the Company's efforts to reduce operating costs.

The overhead recoveries from partners, related to Forent operated projects, decreased 33% to \$33,400 in the three months ended March 31, 2010, compared to \$49,993 in the same period of 2009. The decrease was due to a reduction in Forent operated capital projects in 2010 that had joint venture partners. Overhead recoveries from partners are earned primarily on the Huxley area wells and gas plant and gas gathering system that the Company operates, along with operated capital projects.

Stock Based Compensation

Stock-based compensation expense decreased 62% to \$36,307 in the first quarter of 2010 from \$96,464 in the same period of 2009 due to a number of option cancellations and option tranches being fully vested in the fourth quarter of 2009 and the resultant reduction in the fair value of stock options to recognize into income. The total number of options outstanding as at March 31, 2010 is 4,841,110 with a weighted average exercise price of \$0.47 and life of 3.18 years.

Interest Income and Expense

Interest and other income during the three months ended March 31, 2010 totalled \$1,286 compared to \$1,802 earned in the same period of 2009. The decrease was primarily a result of lower average term deposit balances between the periods.

Interest expense and financing fees for during the three months ended March 31, 2010 were \$2,576 versus \$6,741 recorded in the same period of 2009. The decrease was a result of less Part XII.6 tax being recorded in 2010 as a result of the lower balance of cumulative exploration expenditures ("CEE") to be expended between the first quarters of 2010 and 2009, along with a reduction in the average interest rate between the periods. The Part XII.6 tax was calculated based on the outstanding balance of CEE in the first quarter of 2010 related to the Company's 2009 flow-through share issuance.

Operating Netbacks per boe

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|--|--|-------------------------------------|--------|
| | (\$) | (\$) | (%) |
| Sales price | 37.67 | 31.53 | 19 |
| Royalties | (7.59) | (3.20) | 137 |
| Operating | (20.51) | (22.68) | (10) |
| Operating netback | 9.57 | 5.65 | 69 |
| G&A (net of non-cash items) | (24.50) | (52.05) | (53) |
| Interest and other (net of non-cash items) | (0.12) | (0.90) | (87) |
| Corporate netback | (15.05) | (47.30) | (68) |

During the three months ended March 31, 2010 the Company's operating netback increased 69% to \$9.57/boe from \$5.65/boe recorded in the same period of 2009. The increase in the operating netback was primarily attributed to the large increase in crude oil and NGLs and natural gas production, along with the considerable increase in selling prices of crude oil and NGLs between the first quarters of 2010 and 2009.

On a corporate netback basis, the deficit in netback funds flow improved 68% to negative \$15.05/boe during the three months ended March 31, 2010, from a negative netback of \$47.30/boe in the same period of 2009. The improvement in the corporate netback deficit was predominantly a result of the 53% decrease in general and administrative costs on a per boe basis along with a notable improvement in the operating netback.

Depletion, Depreciation and Accretion ("DD&A")

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|---|--|-------------------------------------|--------|
| | (\$) | (\$) | (%) |
| Depletion, Depreciation and Amortization | | | |
| DD&A provision | 322,496 | 187,629 | 72 |
| DD&A provision (\$/boe) | 30.39 | 34.17 | (11) |

The DD&A provision in the first quarter of 2010 increased 72% to \$322,496 from \$187,629 during the same period of 2009, due to the 93% increase in production between the periods. On a per boe basis, the DD&A provision remained relatively stable at \$30.39/boe in the first quarter of 2010, from \$34.17/boe in the same period of 2009.

Income Taxes

For the three months ended March 31, 2010, there was a future income tax recovery of \$163,902 recorded in the period, compared to a recovery of \$149,191 recorded in the same period of 2009. The changes in this non-cash item are due to the anticipated future tax effect of the period's activities after reconciling recorded net assets with the Company's tax pool assets at the end of each period. The increased future income tax recovery in the first quarter of 2010, as compared to the same quarter of 2009, was primarily due to the increased DD&A recorded in 2010 along with a projected increase in the future income tax rate as the company continues its exploration and development in the marginally higher corporate tax rate region of Nova Scotia.

As at March 31, 2010, the Company had approximately \$5.0 million in tax pools available to shelter taxable income in future years. In the first quarter of 2010, \$1.7 million of cumulative exploration expenditures were renounced that related to the 2009 flow-through share issuance, effectively decreasing the Company's tax pools by the same amount.

Funds from Operations

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|--|--|-------------------------------------|------------|
| | (\$) | (\$) | (%) |
| Cash flow (used in) from operating activities (per GAAP) | (728,174) | (605,016) | 20 |
| Change in non-cash working capital | 568,460 | 345,215 | 65 |
| Funds used in operations | (159,714) | (259,801) | (39) |

The Company determines funds from operations as cash provided from operations before changes in non-cash operating working capital.

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|---------------------------|--|-------------------------------------|------------|
| | (\$) | (\$) | (%) |
| Funds used in operations | (159,714) | (259,801) | (39) |
| Per share basic & diluted | - | (0.01) | (100) |

Funds used in operations was \$157,714 (\$nil per basic and diluted share) during the three months ended March 31, 2010 versus funds used in operations of \$259,801 (\$0.01 per basic and diluted share) in the same period of 2009. The decrease in the funds used in operations was primarily a result of the significant increase in revenues from production growth that was offset by the related increases in operating and royalty expenses.

Net loss

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|---------------------------|--|-------------------------------------|------------|
| | (\$) | (\$) | (%) |
| Net loss | (354,615) | (394,703) | (10) |
| Per share basic & diluted | (0.01) | (0.01) | - |

During the first quarter of 2010 the Company recorded a net loss of \$354,615 (\$0.01 per basic and diluted share) compared to a net loss of \$394,703 (\$0.01 per basic and diluted share) in the same period of 2009. The decrease in the loss was primarily attributed to the increase in net operating profit and a decrease in stock based compensation expense, which was partially offset by an increase in depletion expense between the first quarters of 2010 and 2009.

Capital Expenditures

Capital expenditures made during the three months ended March 31, 2010 and 2009 are summarized in the following table and do not include non-cash transactions:

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|----------------------------|--|-------------------------------------|------------|
| | (\$) | (\$) | (%) |
| Land | 69,333 | 68,810 | 1 |
| Geological and geophysical | 69,010 | 92,018 | (25) |
| Drilling and completions | 88,134 | 63,060 | 40 |
| Facilities and equipment | 179,269 | 35,001 | 412 |
| Property acquisitions | 49,036 | 1,000 | 4,804 |
| Total capital expenditures | 454,782 | 259,889 | 75 |

During the first quarter of 2010, the Company spent \$454,779 on exploration and development activities and other items compared to \$259,889 in the same period of 2009. In the quarter land expenditures totalled \$69,333, which mainly included capitalized lease rentals on the Alton and Beech Hill exploration blocks in Nova Scotia. The Company's geological and geophysical expenditures of \$69,008 primarily included capitalized consulting fees to further assess the exploration and development potential of the Alton and Beech Hill exploration blocks.

During the first quarter of 2010 the Company spent a total of \$88,133 on completions within the Alberta project area and did not drill any new wells. Equipment and facilities expenditures totalled \$179,269 to tie-in the two Provost wells that were brought on stream during the first quarter of 2010.

In addition, the Company acquired a joint venture partner with a fair value of oil and gas assets attributed to the acquisition of \$49,036. This acquisition added a greater working interest percentage to a number of its operated wells.

Liquidity and Capital Resources

| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 | Change |
|--------------------------------------|--|-------------------------------------|--------|
| | (\$) | (\$) | (%) |
| Working capital, beginning of period | 1,182,925 | 1,721,410 | (31) |
| Funds from operations | (159,714) | (259,801) | (39) |
| Issue of capital stock (net) | 79,809 | - | - |
| Capital expenditures (net) | (454,782) | (259,889) | 75 |
| Working capital, end of period | 648,238 | 1,201,720 | (46) |

Forent opened 2010 with a working capital surplus of \$1.2 million. The change in the Company's net working capital resulted from negative funds from operations of \$0.2 million, net equity of \$0.1 million issued to acquire Edelex Holdings Ltd. and net capital expenditures totalling \$0.5 million, thereby leaving the Company with a working capital surplus of \$0.6 million at March 31, 2010.

The Company has budgeted, based on commitments given to the government of Nova Scotia, approximately \$4.4 million in the years 2009 to 2011 for exploration and development on the Alton and Beech Hill Blocks. As of March 31, 2010 approximately \$0.7 million of this commitment has been fulfilled. Additional capital expenditures may be made if funds are available to develop various oil focused, low risk projects in western Canada. The Company intends to raise new capital or utilize other alternative means such as joint venturing to meet the stated Nova Scotia commitments, however, there is no certainty that the financing activities will be successful.

Pursuant to flow-through common share issuances completed on October 28, 2009, the Company committed to renounce a total of \$1.7 million of eligible exploration expenditures. As at March 31, 2010, Forent had incurred \$0.6 million of the exploration expenditures eligible for renouncement with \$1.1 million remaining to be spent in 2010. The company intends to satisfy the remaining flow-through share obligations in 2010 with the combination of its positive working capital and cash flow from operations.

As noted in the subsequent event note of the financial statements, on April 15, 2010 the Company completed a non-brokered private placement for gross proceeds of \$4,420,000. The proceeds from the non-brokered private placement are to be used to further the Nova Scotia exploration program and apply towards the spending commitments under the terms of the agreements mentioned above, along with funding continued western Canadian exploration and development.

Share Capital

On January 1, 2010 Forent acquired Edelex Holdings Ltd. ("Edelex"), a private Canadian controlled private corporation, pursuant to the issuance of 327,877 Forent common shares to the Edelex shareholders in exchange for all of the common shares of Edelex. The purchase allocation of Edelex consisted of \$81,969 of fair valued assets and liabilities, comprised of \$49,036 in oil and gas interests and \$32,933 in net working capital. Gross fees associated with the acquisition consisted of \$2,160 in legal and regulatory expenses. The future income tax benefit associated with the share issue costs was \$623, resulting in net share issuance costs of \$1,537. Immediately following the acquisition, Edelex amalgamated with Forent.

On October 28, 2009 the Company completed a brokered private placement for gross proceeds of \$3,206,610. The private placement consisted of 10,223,799 units of the Company at a price of \$0.15 per unit, consisting of one common share in and one half a common share purchase warrant with each whole warrant being exercisable for one common share of the Company at a price of \$0.17 per share until April 28, 2011; and 9,841,411 flow through common shares at a price of \$0.17 per share. Gross fees associated with the private placement were \$568,470, consisting of \$98,114 in legal and regulatory expenses, in conjunction with underwriter fees of \$320,661 in cash and the issuance of 2,006,521 broker warrants that were fair valued at \$149,695 and exercisable for one common share at a price of \$0.17 per share expiring on April 28, 2011. The future income tax benefit associated with the share issue costs was \$163,037, resulting in net share issuance costs of \$405,433.

The following table is a summary of the Company's share information as at the periods indicated:

| As at, | March 31, 2010 | December 31, |
|--|---------------------------------|--------------|
| | (#) | 2009 (#) |
| Common Shares | | |
| Balance – beginning of period | 69,937,686 | 49,872,476 |
| Private placements | - | 20,065,210 |
| Issued pursuant to acquisition of Edelex Holdings Ltd. | 327,877 | - |
| Balance – end of period | 70,265,563 | 69,937,686 |
| Weighted Average Common Shares Outstanding ⁽¹⁾ | | |
| Basic and Diluted | 70,265,563 | 53,390,759 |
| Share Purchase Warrants | | |
| Balance – beginning of period | 7,918,255 | 1,777,956 |
| Issue of warrants | - | 5,111,900 |
| Issue of broker warrants | - | 2,006,521 |
| Expiry of warrants | - | (978,122) |
| Balance – end of period | 7,918,255 | 7,918,255 |
| Stock Options | | |
| Balance – beginning of period | 4,841,110 | 7,070,554 |
| Expired | - | (183,332) |
| Cancelled | - | (2,811,112) |
| Granted | - | 765,000 |
| Balance – end of period | 4,841,110 | 4,841,110 |

(1) *Anti-dilutive stock options and warrants have been excluded from the dilution calculation.*

Select Information Financial Results

| | 2008 | | | | 2009 | | | | 2010 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Oil and gas revenue | 195,306 | 304,749 | 152,787 | 202,463 | 173,164 | 140,004 | 98,180 | 210,909 | 399,705 |
| Funds from (used in) operations ⁽¹⁾ | (33,315) | (131,652) | (147,913) | (284,232) | (259,801) | (235,494) | (329,165) | (157,857) | (159,714) |
| Per share – basic and diluted ⁽²⁾ | - | (0.01) | (0.01) | (0.01) | (0.01) | - | (0.01) | - | - |
| Net loss | (40,355) | (151,899) | (684,856) | (589,510) | (394,703) | (412,331) | (460,918) | (349,768) | (354,615) |
| Per share – basic and diluted ⁽²⁾ | - | - | - | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) |
| Capital expenditures | 122,644 | 379,091 | 1,303,852 | 1,287,580 | 259,889 | 109,780 | 268,117 | 1,706,217 | 454,782 |
| Debt and working capital | 1,760,994 | 1,251,144 | 3,109,184 | 1,721,410 | 1,201,720 | 856,446 | 259,164 | 1,182,925 | 648,238 |
| Shareholders' equity | 4,947,111 | 4,823,888 | 7,536,021 | 8,043,758 | 6,681,797 | 6,374,022 | 6,002,434 | 8,690,124 | 8,031,485 |
| Average daily production | | | | | | | | | |
| Natural gas (mcf/d) | 229 | 314 | 170 | 288 | 360 | 375 | 368 | 434 | 572 |
| Crude oil and NGLs (bbls/d) | 3 | 2 | 2 | 1 | 1 | 3 | 3 | 5 | 23 |
| Total (boe/d) | 41 | 55 | 30 | 49 | 61 | 65 | 64 | 78 | 118 |

(1) Funds from operations is defined as cash provided by operations before changes in non-cash operating working capital.

(2) Per share amounts have been adjusted for stock splits and consolidations.

Related Party Transactions

The Company enters into various transactions with related parties from time to time. These transactions are entered into under the normal course of operations and are measured at the exchange amount. During the three months ended March 31, 2010 and 2009, the Company had the following related party transactions:

During the three months ended March 31, 2010, the Company incurred \$26,747 (2009 – \$29,664) of net operating costs relating to pipeline and facility rental fees from a company controlled by the majority shareholder. As at March 31, 2010, there was an outstanding balance of \$18,723 (2009 - \$18,723) owed to the related company. The pipeline and facility rental fees and outstanding balance have been incurred on facilities that the Company operates with an average 20% working interest. As such, 80% of the gross operating costs and outstanding balances are directly attributed to the Company's joint venture partners, consisting primarily of large and well funded petroleum producers.

During the three months ended March 31, 2010 the Company incurred \$6,227 (2009 - \$nil), for legal services with a law firm of which a board member is a partner. As at March 31, 2010, there was an outstanding balance due the related party of \$nil (2009 – \$7,737).

Off Balance Sheet Transactions

Forent was not involved in any off balance sheet transactions as at the three months ended March 31, 2010.

Contractual Obligations

The commitment made by Forent on the Beech Hill Block is to expend a minimum of \$2,070,000 over a three year period, beginning May 1, 2008, in a work program consisting of initiation and interpretation of geological, geophysical, geomagnetic and geochemical data and culminating in an exploration and well testing program within the boundaries of the Block.

The Company is committed to expend a minimum of \$2,350,000 over a three year period, beginning February 3, 2009, in a work program consisting of initiation and interpretation of geological, geophysical, geomagnetic and geochemical data and culminating in an exploration and well testing program within the boundaries of the Alton Block.

The Company is committed to spend a total of \$151,580 on office rent to July 31, 2011.

On October 30, 2009, the Company issued flow-through shares requiring that \$1,673,040 in qualifying exploration expenditures be expended by December 31, 2010. As at March 31, 2010 the Company has incurred approximately \$0.6 million of qualifying expenditures, with approximately \$1.1 million remaining to be spent by December 31, 2010.

The Company did not utilize any risk management contracts during the three months ended March 31, 2010 and there were no outstanding risk management contracts as at March 31, 2010.

Critical Accounting Estimates

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. There were no changes to the Company's critical accounting estimates in the period from those used in the audited financial statements from 2009.

Risks and Uncertainties

The Company is exposed to a number of risks and uncertainties inherent in exploring for, developing and producing crude oil and natural gas. These risks and uncertainties include but are not limited to, the following:

- risk of finding and producing reserves economically;
- uncertainty associated with obtaining drilling licenses and other consents and approvals;
- production risk associated with sour hydrocarbons;
- marketing reserves at acceptable prices;
- cost of capital risk associated with securing the needed capital to carry out the Company's operations;
- risk of fluctuating foreign currency exchange rates;
- risk of governmental policies, social instability or other political, economic or diplomatic developments in its operations;
- market risks associated with investing the Company's cash reserves in interest bearing depository instruments; and
- environmental risks related to its oil and gas properties.

Many of the previously mentioned risks are beyond the Company's control, and it is impossible to ensure that any exploration drilling program will result in commercial operations. As at March 31, 2010 the Company had no derivative instruments to hedge its commodity price, foreign currency exchange or interest rate risks in place. The Company may enter into such risk management contracts from time to time as appropriate.

Forent strives to minimize and manage these risks in a number of ways including:

- Employing qualified professional technical staff;
- Communicating openly with members of the public regarding its activities;
- Concentrating in a limited number of areas;
- Utilizing the latest technology for finding and developing reserves;
- Constructing high-quality, environmentally sensitive, safe production facilities; and
- Maximizing operational control of drilling and producing operations;

Change in Accounting Policies

On January 1, 2010 the Company adopted the following Canadian Institutes of Chartered Accountants ("CICA") Handbook sections:

The CICA issued Handbook Section 1582 *Business Combinations*, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. The adoption of this standard will impact the accounting treatment of future business combinations entered into after January 1, 2010.

"Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard had no material impact on the Company's financial statements.

"Non-controlling Interests", Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard had no material impact on the Company's financial statements.

International Financial Reporting Standards

In 2011, IFRS will replace Canadian GAAP for profit oriented Canadian publicly accountable enterprises. Forent will be required to report its results in accordance with IFRS beginning with the three month period ending March 31, 2011.

Forent's Transition Plan

The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information for 2010. The key elements of the Company's changeover plan include the following:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements; and
- educate and train internal and external stakeholders.

IFRS accounting Policies

The Company has completed its analysis of accounting policy alternatives and determined the areas that will be most significantly affected by the adoption of IFRS. The areas identified as being significant have the greatest potential impact on Forent's financial statements or the greatest risk in terms of complexity to implement. The most significant areas include the following:

- Upstream Property, Plant and Equipment ("PP&E"), including:
 - i. transition on date of adoption to IFRS,
 - ii. pre-exploration costs,
 - iii. DD&A, and
 - iv. Gains and losses on divestitures;
- Impairment testing;
- Asset retirement obligations;
- Stock based compensation; and
- Income taxes.

Design and Evaluation of Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

The CEO and CFO of Forent are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the Company's internal control over financial reporting as of March 31, 2010 and has certified that the controls over financial reporting are effective.

Forent has disclosure controls and procedures to ensure that information required to be disclosed by the Company is assembled and communicated to management. The Company's CEO and CFO have concluded based on their evaluation as of March 31, 2010, that disclosure controls and procedures are effective to provide reasonable assurance that material information related to Forent is made known to them by others within the entity.

Despite the CEO and CFO certifying that the Company's internal controls over financial reporting and disclosure controls and procedures are effective to provide a reasonable level of assurance, they are not able to conclude that the controls and procedures are capable of preventing all frauds and errors. Regardless of how well conceived or managed, a control system is incapable of providing absolute assurance to prevent all errors and fraud, as only reasonable assurance that the objectives of a control system can be obtained.

CORPORATE INFORMATION

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Wayne Rousch*

Ian Shook

W. Brett Wilson

**Member Audit Committee*

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